



**TEXAS DEPARTMENT OF INFORMATION RESOURCES**

Independent Accountants' Report

On Applying Agreed-upon Procedures

Master Work Order Financial Report for Texas.gov

For the four months ended December 31, 2014



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## **Independent Accountants' Report on Applying Agreed-upon Procedures**

The Board of Directors and Management  
Texas Department of Information Resources:

We have performed the procedures enumerated below and noted in Attachment I related to the Master Work Order Financial Report for Texas.gov as of and for the four months ended December 31, 2014 (the Report) attached hereto as Attachment II, which were agreed to by the managements of the Texas Department of Information Resources (DIR) and Texas NICUSA, LLC, a wholly owned subsidiary of NIC Inc. (NIC), solely to assist the specified parties in evaluating the Report. Management of NIC is responsible for the Report and related accounting records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of DIR and NIC. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### **Revenue**

1. We obtained a summary of transaction and service revenue accounts and agreed the amounts to the trial balance maintained by NIC as of and for the four months ended December 31, 2014 without exception and agreed the total amount to the Report without exception.
2. We obtained the transaction revenue and service revenue subledgers and agreed the total to the revenue summary schedule discussed in procedure 1 above. We added the individual amounts in the transaction revenue and service revenue subledgers and compared the resultant total with the amount in the trial balance. We found no exceptions.
3. We obtained a summary reconciliation comparing revenue recognized for the four months ended December 31, 2014 to a schedule of the associated cash received and related 30% cash withheld by the Texas Comptroller of Public Accounts as part of the revenue sharing arrangement with the State of Texas. We traced the amount of revenue recognized to the revenue summary schedule discussed in procedure 1 above. We traced the total amount of cash received and cash withheld by the Texas Comptroller of Public Accounts as part of the revenue sharing arrangement with the State of Texas to a detail cash activity report generated by NIC's accounting system within +/- \$500 or 2%. We found no exceptions.



## Operations Costs

4. We obtained the schedule calculating the State of Texas total revenue share for the four months ended December 31, 2014, verified the mathematical accuracy and agreed the resultant amounts per the schedules to the Report.

The Total Revenue Share schedule calculates total revenue share as total revenue per the Report less total credit card fees and bad debt expense per the Report, the difference of which is multiplied by 20%. We found no exceptions when recalculating the Total Revenue Share schedule. There was no bad debt expense to deduct from the Total Revenue Share schedule.

The Net Revenue Share schedule calculates the net revenue share as the Texas NICUSA Recovered Investment multiplied by 50%. The Texas NICUSA Recovered Investment amount is calculated as Cumulative Investment in Capital Assets for the four months ended December 31, 2014 less Cash from Operations for the four months ended December 31, 2014 plus Investment in Other Assets and Liabilities. We found no exceptions when recalculating the Net Revenue Share schedule.

\* \* \* \* \*

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Texas Department of Information Resources, Texas Governor's Office, Texas Legislative Budget Board, Texas Legislative Audit Committee, Texas State Auditor, Texas Comptroller of Public Accounts, the Texas Sunset Advisory Commission, Texas state agencies who participate in Texas.gov, the Texas presiding officer of each house of the Texas Legislature, the Texas chair of each committee in the Texas Legislature with primary jurisdiction over the Texas Department of Information Resources, and Texas members of each house of the Texas Legislature and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

July 17, 2015

**Master Work Order Monthly Financial Report for Texas.gov Procedures**

1. Obtain a schedule summarizing all transaction and service revenue accounts and amounts for the period September 1, 2014 to December 31, 2014, and agree amounts in each account to the trial balance.
2. Obtain the transaction and service revenue subledgers for the period September 1, 2014 to December 31, 2014 and agree the total to the revenue summary schedule. Add the individual revenue amounts in the revenue subledger, and compare the resultant total with the amount in the trial balance.
3. Obtain a reconciliation of transaction revenue recognized for the period September 1, 2014 to December 31, 2014 to a schedule of the associated cash received within +/- \$500 or 2% of total cash received.
4. Obtain the schedule for the period September 1, 2014 to December 31, 2014 calculating revenue share, verify mathematical accuracy, and agree the amount per the schedule to the amount reported to the Texas Department of Information Resources.

**Master Work Order**  
Schedule of Operations  
For the four months ended December 31, 2014

	<b>For the four months ended December 31, 2014</b>
Master work order revenue:	
Transaction revenue	\$ 34
Service revenue	562,985
Total master work order revenue	<u>563,019</u>
Master work order operations costs:	
Total revenue share	113,320
Variable cost	(4,103)
Team cost	(1,760)
Depreciation	-
Bad debt expense	-
Discontinued asset expense	-
Total operations costs	<u>107,457</u>
Net recovery of investment	<u>\$ 455,562</u>

See accompanying independent accountants' report on applying agreed-upon procedures.

**Master Work Order**  
Unrecovered or (Recovered) Investment Schedule  
For the four months ended December 31, 2014

	<b>For the four months ended December 31, 2014</b>
Capital assets:	
Beginning of year investment in capital assets	\$ 22,391,141
Current year investment in capital assets	-
Cumulative investment in capital assets	<u>22,391,141</u>
Cumulative earnings:	
Cumulative gain since inception	46,250,840
Accumulated depreciation and discontinued assets	<u>22,173,654</u>
Earnings plus depreciation	68,424,494
Current year earnings	455,562
Depreciation and discontinued asset expense	-
Less cash from operations	<u>68,880,056</u>
Investment in other assets and liabilities (see note 1)	(40,734)
Texas NICUSA unrecovered or (recovered) investment	<u>\$ (46,529,649)</u>
Net revenue share	23,264,824
Less amounts previously paid	<u>23,206,381</u>
Current month net revenue share due to State	<u>\$ 58,443</u>

Note 1:

The Investment in Other Assets and Liabilities is the net of Accounts Receivable and Prepaid Expenses less Accounts Payable and Deferred Revenue. The investment in Other Assets and Liabilities has been reduced by the payable due to the State for the distribution of the 50% revenue share.

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